

Message Text

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ACTION EUR-12

INFO OCT-01 EA-10 IO-13 ISO-00 STRE-00 AGRE-00 CEA-01
CIAE-00 COME-00 DODE-00 EB-08 FRB-03 H-01 INR-07
INT-05 L-03 LAB-04 NSAE-00 NSC-05 PA-01 CTME-00
AID-05 SS-15 STR-05 ITC-01 TRSE-00 USIA-06 PRS-01
SP-02 SOE-02 OMB-01 DOE-11 /123 W
-----087767 062036Z /41

R 061929Z JAN 78
FM AMEMBASSY PARIS
TO SECSTATE WASHDC 3973
INFO ALL EC CAPITALS
AMEMBASSY TOKYO
USMISSION GENEVA

C O N F I D E N T I A L SECTION 01 OF 02 PARIS 00498

DEPT PASS STR AND TREASURY ELECTRONICALLY

USEC PASS UNDER SECRETARY COOPER

USEEC

USMTN

E.O. 11652: GDS
TAGS: ETRD, EEC, FR
SUBJ: STEEL -- UNDER SECRETARY COOPER'S DISCUSSION
WITH FRENCH IN PARIS JANUARY 5

1. BEGIN SUMMARY: IN A TALK WITH FROMENT-MEURICE
JANUARY 5, UNDER SECRETARY COOPER POINTED OUT SOME OF
OUR CONCERNS ABOUT THE NEW EC STEEL ARRANGEMENTS. HE
EMPHASIZED THAT WE STILL DID NOT HAVE A COMPLETE
UNDERSTANDING OF WHAT THE EC COUNCIL HAD DECIDED,
HOWEVER. COOPER FOCUSED PRIMARILY ON PHASE II OF
THE EC PLAN -- BILATERAL AGREEMENTS -- BECAUSE OF THE
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APPARENT QUANTITATIVE ASPECT. FROMENT-MEURICE AND
HIS COLLEAGUES SOUGHT TO REASSURE US ON THIS MATTER,
BUT THEIR RESPONSE WAS LESS THAN CLEAR. THEY ALSO
EXPRESSED SOME CONCERN ABOUT DIRECT AND INDIRECT
EFFECTS OF THE U.S. SYSTEM ON THE EUROPEAN STEEL
INDUSTRY. END SUMMARY.

2. IN DISCUSSION WITH QUAI ECONOMIC AND FINANCIAL AFFAIRS DIRECTOR FROMENT-MEURICE AND HIS DEPUTY BOCHET, UNDER SECRETARY COOPER INDICATED THAT, WHILE WE HAD SOME PROBLEMS WITH PHASE I OF THE EC PLAN (TRIGGER PRICES), HE PERSONALLY THOUGHT WE COULD ADJUST TO THESE. HOWEVER, PHASE II APPEARED TO AIM AT A SERIES OF COUNTRY-BY-COUNTRY ARRANGEMENTS INVOLVING QUANTITATIVE LIMITATIONS. EUROPEAN AND U.S. INDUSTRY AND THE JAPANESE HAD ALL WANTED TO WORK OUT SOME SORT OF QUANTITATIVE ARRANGEMENT PRIOR TO ADOPTION OF THE U.S. SYSTEM. THE U.S. GOVERNMENT HAD RESISTED THIS, HOWEVER, ON GROUNDS THAT TRIGGER PRICES AND ACCELERATED ANTIDUMPING PROCEDURES SHOULD PROVIDE THE U.S. INDUSTRY WITH SUFFICIENT PROTECTION. THE ADDITION OF A QUANTITATIVE ELEMENT WAS NOT NECESSARY AND DANGEROUS AS A RETREAT FROM LIBERAL TRADE POLICY. IF U.S. INDUSTRY AND LABOR SHOULD NOW CONCLUDE THAT EUROPEAN PRODUCERS HAD BEEN GIVEN SIGNIFICANTLY GREATER PROTECTION THAN THEMSELVES, THE U.S. GOVERNMENT WOULD BE PRESSURED TO FOLLOW SUIT. COOPER SAID HE HOPED THAT HIS FORTHCOMING DISCUSSIONS WITH EC COMMISSIONER DAVIGNON COULD PROVIDE A BETTER UNDERSTANDING -- AND HOPEFULLY SOME RESPONSES TO OUR CONCERNS.

3. FROMENT-MEURICE AND BOCHET (WHO HAD ORIGINALLY
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CLAIMED THAT THE EC SYSTEM IS BASICALLY PATTERNED AFTER

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SP-02 SOE-02 OMB-01 DOE-11 /123 W

-----087377 062036Z /41

R 061929Z JAN 78
FM AMEMBASSY PARIS
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C O N F I D E N T I A L SECTION 02 OF 02 PARIS 00498

USEEC

THE U.S. SYSTEM) TRIED TO BE REASSURING. THEY EMPHASIZED THAT MANY DETAILS ARE STILL UNCLEAR AND THAT THE INITIATIVE IS WITH THE EC COMMISSION. THEY SAID THAT PHASE II OF THE EC PLAN SHOULD NOT BE VIEWED AS LOOKING TOWARD QUANTITATIVE LIMITS BUT AS A FORM OF NON-AUTOMATIC "THRESHOLD" BY WHICH SAFE QUANTITIES OF IMPORTS COULD BE "GUARANTEED" PROVIDED ESTABLISHED MINIMUM PRICES WERE RESPECTED; I.E., A SORT OF ACCESS ASSURANCE. WHEN PRESSED ON THIS POINT, HOWEVER, IT APPEARED THAT THE FRENCH AT ANY RATE HAVE IN MIND A SERIES OF ORDERLY MARKETING AGREEMENTS WHICH WOULD INVOLVE SOME KIND OF UNDERSTANDINGS ON QUANTITATIVE LIMITS.

4. FROMENT-MEURICE ALSO SAID THE FRENCH ARE WORRIED THAT THE U.S. TRIGGER PRICE MECHANISM MIGHT FAVOR JAPAN TO THE EXTENT THAT THE EUROPEAN FIRMS WOULD LOSE OUT IN THE U.S. STEEL MARKET WHILE JAPANESE PRODUCERS
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WOULD SEEK TO DIVERT EXPORTS FROM THE U.S. TO EUROPE. COOPER EXPLAINED THAT THE U.S. SYSTEM SHOULD, ON BALANCE, BE FAVORABLE TO EUROPEAN PRODUCERS SINCE THE TRIGGER PRICES ARE BASED ON JAPANESE COSTS WHICH ARE PRESUMED TO BE LOWER THAN EUROPEAN COSTS IN GENERAL.

5. THIS CABLE WAS DRAFTED AFTER UNDER SECRETARY COOPER'S DEPARTURE.
HARTMAN

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Message Attributes

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Channel Indicators: n/a
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Decaption Note:
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Disposition Approved on Date:
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